



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Local Government Fiscal Impact 2009 Biennium

Bill #	HB0685	Title:	Local option tax
Primary Sponsor:	McAlpin, Dave	Status:	As Introduced

- | | | |
|------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------------|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: HB 685 allows all municipalities and counties; by the vote of the electorate, to adopt a local option sales tax on certain luxury goods and services.

FISCAL ANALYSIS

Assumptions:

1. This legislation gives all cities and counties the authority to levy a local option sales tax on gift items, luxury items, or other items or services normally sold to the public, transient visitors, or tourists, and excluding certain goods. The combined city and county tax rates for a location can not exceed 4%. The revenue raised by this legislation is dependant on the number of jurisdictions adopting the tax, the tax rates adopted, and the specific goods and services taxed.
2. The proposed legislation does not allow for the taxation of motor fuels, unprepared food purchased, food not served, medicine, medical supplies, medical services (prescription or over-the-counter), appliances, hardware supplies and tools, goods used in agricultural production, clothing other than souvenirs, legal forms of gambling, goods and services sold for resale, household furnishings, or necessities of life. This fiscal note does not include sales in the agriculture, mining, utilities, construction, manufacturing,

wholesale trade, finance and insurance, and health care and social assistance industries and all business to business sales. In addition, the term “hardware supplies and tools” was assumed to include automotive tires and parts and other parts used in repair services. Sales of legal services for individual clients and newspaper services were assumed to meet the criteria of “other item or service normally sold to the public” and were included in the tax base. The value total sales meeting the criteria statewide is estimated to be \$9,702.265 million in FY 2008, \$10,061.719 million in FY 2009, \$10,418.797 million in FY 2010, and \$10,792.409 million in FY 2011.

3. Assuming that every locality adopts a 4% tax rate, the estimated state-wide taxes raised would be \$388.091 million in FY 2008, \$402.469 million in FY 2009, \$416.752 million in FY 2010, and \$431.696 million in FY 2011.
4. This legislation also requires that a mill levy reduction, resulting from the imposition of a local option sales tax, may not be reinstated while the sales tax is in effect, unless the reinstatement is approved in an election. Because this provision is conditional on both the reduction of mill levies, then a subsequent election, this provision is assumed to have no fiscal impact to local governments.
5. This legislation places the responsibility of collection and administration of the taxes at the local level. Therefore, the Department of Revenue will not experience any additional administrative costs associated with this legislation.

Long-Range Impacts to Local Governments:

1. This legislation would have significant impacts on local government public finance by allowing sales taxes as an option of raising local revenues.

Sponsor's Initials

Date

Budget Director's Initials

Date